



Wyoming Lender Alert

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July 2005

Steven Despain, District Director

Making a Difference for Small Business in Wyoming

Marion Cotterman Named Minority Small Business Champion of the Year 2005

Ms. Cotterman works for the Division of Vocational Rehabilitation and is the contact for the Business Enterprise Program. Marion has been selected as the Minority Small Business Champion of the Year 2005 by the U.S. Small Business Administration. The award was presented to Ms. Cotterman at the Governor's Breakfast held at Little America in Cheyenne on Tuesday, May 3rd.

This award is given to an individual or entity whose efforts advance minority small business interests and improve conditions in the minority small business community, provide professional services to minority small businesses and demonstrate accomplishments in advising minority small business groups of opportunities within the overall business community. The President of the United States recognizes contributions of the small business community to the American economy and society by proclamation each year.

For the past three years Marion has been involved in a special project with the Small Business Development Center, the Women's Business Center, and the Wyoming Business Council. These

organizations planned for three years to implement the YinSITE project. They wrote a grant and received a \$1.2 million grant from the Department of Family Services. This grant targeted low-income families with dependent children. Several of these clients were eligible for services through Marion's organization. She worked in all aspects of this project and put in many hours to make it a success.

Marion has a special interest with visually impaired clients and has taken courses to better assist this particular group. Other noteworthy experiences included her employment as the Equal Opportunity Officer for the Department of Workforce Services for several months. She is also a member of the Rocky Mountain Inventor's Association.

Marion's nominator, Debbie Popp, Associate State Director of the Small Business Development Center has known Marion for approximately eight or nine years. Debbie says, "I first met her in Wisconsin at a Home-Based Business Conference. I have always held a deep respect for Marion. She is truly passionate in her work and the clients she works with. She is a great resource for this state".

Regulatory Fairness Hearing for Small Business

Wednesday, July 17, 2005

Small business owners have an opportunity to discuss concerns about federal regulatory compliance and enforcement issues during this event sponsored by the U. S. Small Business Administration.

WHO: Members of SBA's Regulatory Fairness Board for Region VIII will meet with community leaders, members of trade and business associations, small business owners and invited members of the congressional delegation to discuss concerns about federal regulatory compliance and enforcement in the region.

WHERE: Dick Cheney Federal Building, Room 4221, 100 East B Street, Casper, Wyoming

WHEN: July 27, 2005

Registration: 8:30 a.m. to 9:00 a.m.

Hearing: 9:00 a.m. to Noon

Small business owners may testify during the hearing by registering in advance. Call Steve Lobdell at (307) 261-6503 at the SBA Wyoming District Office or send an e-mail to steven.lobdell@sba.gov. Testimony may be submitted in writing in advance or at the hearing. Anyone desiring confidentiality may request that his or her name not be released and may submit written testimony in lieu of a public appearance at the hearing.

For more information, visit the Office of the National Ombudsman's website at www.sba.gov/ombudsman.

New 4-L

There is a new LowDoc Loan Application (4-L) available on the agency's website.

Go to the following:

<http://www.sba.gov/sbaforms/sba4-L.pdf>

If you do not have web access please contact the LowDoc Center and they can fax the new 4-L to you.

They will accept the old version through June 30th, 2005.

This is a fill-able form, but it works best to download the form and print it locally. When you complete this form on the web site and print locally, you may experience glitches and/or lost characters.

Lender's Inquire:

Q: Can we blend a loan term, rather than apply for 2 or more loans?

A: Yes, you can. Rather than applying for one loan for equipment for 10 years and a second for working capital at a 7 year term, you could apply for one loan. You could amortize the loan on either a weighted average basis or by calculating the sum of the equal monthly installments based on the allowable maturities of each purpose.

SOP 50-10(4) (e) Subpart B
Chapter 7 and 13CFR 120.212

Q: We have a loan that was approved for \$100K. The borrower ended up finding the equipment at a discount and we eventually only advanced \$80K on the loan. Can we get a partial refund of the guaranty fee?

A: No. Once you make a disbursement on a long-term loan, the guaranty fee is locked in. This also applies to any fees associated

with increases where the increased amount is cancelled, but the loan is disbursed. For short term loans, the fee is owed at time of approval even if the loan is cancelled.

13 CFR 120.220

Q: Can we use our unilateral authority to accept prepayments on a LowDoc loan?

A: Yes. Pursuant to SBA Procedural Notice 5000-917 a lender has the unilateral authority to do this.

Q: We have heard that you use credit scores to approve/decline loans. What is the minimum credit score that you will accept?

A: Actually we use credit scores only to the extent that they give us a general idea of the repayment track record of the principal(s) of a business borrower. The three major bureaus, Equifax, Experian and Transunion each will have different scores, similar though a bit different. So saying 'X' score is too low is not meaningful for SBA's purposes since SBA looks at the score as being just one element in the total loan application.

Example(s): You can have someone that scores low and when you look at their credit bureau reports the low score is attributable to having one 30 day late payment 18 months ago on their mortgage. Everything else is fine and always has been. A missed mortgage payment has a big impact on a credit score.

You can also have someone with a really high score, yet they did not repay their student loans. This will result in the application being bounced.

Credit scores are just one item for us to look at, in the mix of our review covering credit, collateral, character, capacity and conditions.

SBA 504 Loans are a Win-Win for Everyone!

SBA's "Window to Wall Street" for small business is a great deal. Small business owners thinking of purchasing or renovating commercial real estate or purchasing equipment to grow or expand their businesses should consider the U.S. Small Business Administration's Certified Development Company 504 Loan Program. A 504 loan provides access to the same type of long-term, fixed-rate financing enjoyed by larger firms. Interest rates are equivalent to favorable bond market rates. Most Wyoming businesses are eligible for this loan program.

A 504 loan may be used for purchasing such fixed assets as land and improvements, including owner occupied buildings; grading, parking lots and landscaping; construction of new facilities, or modernizing or converting existing facilities; or machinery and equipment with a useful life of at least 10 years. Soft costs like legal and architectural fees, environmental studies, appraisals, and interest and fees on the construction and/or interim bank loan can also be rolled into the loan. Loans for working capital, inventory, debt consolidation or refinancing are eligible through our 7(a) Program.

A typical 504 project is financed 50/40/10. Fifty percent of the project costs are provided through a senior private-sector lender or bank. This senior loan is usually for at least a 10-year term at a fixed or variable rate, depending on the relationship with the lender. Forty percent of the project costs would be financed by a fixed rate debenture secured with a junior lien from an SBA Certified Development Company (CDC). The debenture is backed by a 100 percent SBA guaranty.

The final piece of the pie is a contribution of 10 percent equity from the small business being

helped. Because of the lower down payment required and the ability to finance the soft costs, the small business will realize up front cash savings of approximately \$100,000 on a \$1 million project.

The maximum SBA debenture under this program has recently been increased to \$1.5 million (\$4 million for manufacturing loans), and maturities of 10 or 20 years are available. This means that with a 504 loan the total project cost could be over \$10 million. Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. The rate on the 504 loan is fixed for the life of the loan and is set when the CDC sells the bond to fund the loan. Effective all-in rates, which include all fees and closing costs, on 20-year bonds in recent months have ranged between 6.79 – 7.07 percent.

Consider the benefits of the 504 Loan Program versus conventional mortgage financing:

Advantages to the business:

Low down payment. In most cases, the company is required to inject just 10 percent, which allows the business to preserve cash for working capital. Most banks will lend only 60-70 percent of the appraised value of the real estate leaving the company to sink in 30-40 percent plus the cost of renovations and soft costs.

Fixed rate on the SBA 504 portion. Small businesses don't have to worry about the prime lending rate going up and can calculate the exact amount of their mortgage payments for 20 years.

Long term. 504 loans are for 10 or 20 years. Because the CDC is in second lien position, the bank or other lender doing the 50 percent first lien loan is willing to lend at a longer term. Longer terms reduce monthly payments.

Low interest rate. Even with the fees and closing costs included in

the rate, the 504 program offers a low rate for a subordinate mortgage loan, particularly for small businesses. The blended rate between the bank portion and the SBA's 504 portion makes the project very affordable.

To learn more about this program, call the SBA at (307) 261-6500.

New online application for SBA's 8(a) program speeds certification

The SBA has established a new electronic online application that will make it easier, faster and less expensive for small companies to apply for 8(a) Business Development and Small Disadvantaged Business certification directly from SBA's Web site. The new automated application will substantially reduce the time and cost burdens imposed on small businesses applying for certification. The 8(a) Business Development Program helps small businesses owned, controlled, and operated by socially and economically disadvantaged individuals by providing management, technical, financial, and federal contracting assistance with the aim of assisting these entrepreneurs to create viable businesses. About 8,300 companies are presently certified in the 8(a) program. During Fiscal Year 2003, \$9.56 billion in federal contracts were awarded to companies participating in the program. The application is 100 percent Web-based, allowing applicants to apply without downloading any software or plug-ins, replacing a four-page written application that required substantial supporting documentation. The online application incorporates features including context sensitive help, real-time validation, printer-ready versions and integrates with the Central Contractor Registry

(CCR). For more information visit the SBA Web site at www.sba.gov.

Lender Center Locations and Contacts:

LowDoc: 501 I Avenue,
Sacramento CA 95814-2322 (916)
930-2444 FAX (916) 930-2180

Purchase: 1145 Herndon Parkway,
Herndon VA 20170 (703) 487-
9283 FAX (202) 481-4674

FTA/1502: Colson Services Corporation 4 New York Plaza,
17th Floor, New York, NY 10004

Express/E-Tran SBA Express Eligibility - MS Word Document

SBA Fresno Commercial Loan Servicing Center, 2719 North Air Fresno Dr., Suite 107, Fresno, CA 93727-1547, email (preferred) FSC.Servicing@sba.gov, FAX (559) 487-5803, general ph (559) 487-5136 (voice mail), or 1-800-347-0922, choose option #4.

UPCOMING EVENTS

July 5 – Women's Roundtable, Jackson

July 6 – Women's Roundtable, Casper/Dubois

July 14 – Women's Roundtable, Laramie

July 15 – Matching Making, Billings, MT

July 19 – Women's Roundtable, Cody

July 21 – Women's Roundtable, Powell

July 27 – Reg Fair Hearing, Casper

A SORRYFUL FAIRWELL TO JEFF SNEDDON

Jeff Sneddon, the district office Contract Specialist, will be leaving around the third week in July for a position with Yellowstone National Park. His duties will be taken over by Debbie Farris. Deb can be reached at 307 261-6510.

SBA CommunityExpress Loan Program

CommunityExpress is a pilot SBA loan program that was developed in collaboration with the National Community Reinvestment Coalition (NCRC) and its member organizations. Under the pilot, which is available to selected lenders, an SBAExpress like program will be offered to pre-designated geographic areas serving mostly Low and Moderate Income areas and New Markets small businesses. The program will also include technical and management assistance, which is designed to help increase the loan applicant's chances of success.

About Program

Issue:	SBA Community Express
Maximum Loan Amount:	\$250,000
Maximum SBA Guaranty %:	Less than or equal to \$150,000 85% Greater than \$150,000 75%
Interest Rate:	CommunityExpress loans are subject to the same maximum interest rate as all SBA loans
Eligibility Decision:	By SBA
Revolving Lines of Credit:	Allows revolving loans up to 7 years
Turnaround Time:	Mostly Within 36 Hours
Forms:	Lender Uses Mostly Own Forms and Procedures
Collateral:	Lenders are not required to take collateral for loans up to \$25,000. Lenders may use their existing collateral policy for loans over \$25,000 up to \$150,000. For Loans greater than \$150,000, follows SBA's general collateral policy
Credit Decision:	By Lender
Technical Assistance:	Arranged or Provided by Lender

Lender Participation

The SBA initiated the CommunityExpress program in May of 1999 with about 10 NCRC lenders. The Agency is now expanding the program to PLP lenders that have at least a 90 percent currency rate on their SBA 7(a) portfolio for the last 3 fiscal years and to selected non-PLP lenders that meet the eligibility requirements for participating in the SBAExpress program.

Technical Assistance has been recognized by both the NCRC and the SBA as often crucial to the success of these businesses. As a result, the CommunityExpress program includes a specific technical assistance component. Borrowers must receive pre- and post-loan closing technical and management assistance from local non-profit providers and/or from participating lenders, with that assistance coordinated, arranged and, when necessary, paid for by CommunityExpress lenders. CommunityExpress lenders may also consider this technical assistance as a collateral enhancement.

CommunityExpress lenders must establish (and document) an internal procedure to ensure the consistent delivery of appropriate and effective technical and management assistance. The process

begins with the identification of qualified and committed T/A providers. The focus then shifts to the CommunityExpress applicant and the T/A provider's development of a business plan (as appropriate) and an assessment of the applicant's management and technical assistance strengths and weaknesses. If weaknesses are identified as a result of that assessment, the lender should document the T/A provider's recommendations and the remedial plan. The lender, in cooperation with the T/A provider, is also expected to strongly encourage the applicant to follow that plan.

Additional Information

CommunityExpress loans must meet the basic 7(a) loan criteria except where differences specified below:

ELIGIBLE AND INELIGIBLE TYPES OF BUSINESS

Types of Loans Not Allowable for CommunityExpress

- (a) Disabled Assistance Loan Program (DAL)
- (b) Energy Conservation
- (c) International Trade
- (d) Qualified Employee Trusts (ESOP)
- (e) Pollution Control Program
- (f) Defense Loan and Technical Assistance (DELTA)
- (g) Export Working Capital Program (EWCP); and

Types of Businesses Not Allowable for CommunityExpress

- (a) Agricultural and farm businesses
- (b) Fishing and shore operations (including commercial fishing activities and the construction of new fishing vessels)
- (c) Medical facilities (including residential care facilities)
- (d) Mines (including sand and gravel pits)
- (e) Applicants doing business in foreign countries
- (f) Businesses engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting; and,
- (g) A business with any products or services of a sexual nature.

The Wyoming District Office is encouraging all lenders to look at this program and encourages lenders to apply for Community Express designation. For more information go to: <http://www.sba.gov/financing/lendinvest/comexpress.html> or call Bob Auflick for lender qualification and application guidelines (307) 261-6505.